

C.I.A. AID BACKED BY WHITE HOUSE AS LEGAL POLICY

Katzenbach Cites 1947 Law
in a Preliminary Report
Prepared for Johnson

4 PRESIDENTS INCLUDED

Those Who Helped Agency
Hailed for Efforts Toward
'Security of the Nation'

By BEN A. FRANKLIN
Special to The New York Times

WASHINGTON, Feb. 23.—The White House endorsed today a report saying that the Central Intelligence Agency had acted in accordance with Government regulations in its secret financial and intelligence penetration of educational, labor and church groups.

The report said that the agency's program had followed policies established by the National Security Council in effect under four Presidents and approved by interdepartmental review committees.

The report was contained in a letter from Under Secretary of State Nicholas B. Katzenbach to President Johnson, which was released at the White House. The letter said that the intelligence agency continued to be "indispensable to the security of the nation."

It continued:

"When the Central Intelligence Agency lent financial support to the work of certain American private organizations, it did not act on its own initiative but in accordance with national policies established by the National Security Council in 1952 through 1954."

Acted With Approval

Mr. Katzenbach indicated that these policies had been embraced by the Administrations of Harry S. Truman, Dwight D. Eisenhower, John F. Kennedy and Lyndon B. Johnson.

Mr. Katzenbach said that "throughout, it [the intelligence agency] acted with the approval of senior inter-departmental review committees, including the Secretaries of State and Defense or their representatives."

Mr. Katzenbach, chairman of a special three-man committee assigned by Mr. Johnson to investigate the controversy surrounding the agency's funding of private institutions, praised the "many far-sighted and courageous Americans" who had quietly cooperated with the agency "in times of challenge and danger to the United States and the free world."

The letter also said "it was vitally important" that the controversy over the agency's "sup-

port of certain private organizations not be permitted to obscure the value, or impede the effectiveness, of competent and dedicated career officials serving this country."

The letter was described by George Christian, the White House press secretary, as a "preliminary report" to the President by the investigating committee. The other committee members are John W. Gardner, Secretary of Health, Education and Welfare, and Richard Helms, Director of Central Intelligence.

Mr. Christian said that the President had agreed with the conclusions of Mr. Katzenbach's letter. The letter said that the committee would probably make its final report early next month.

The preliminary report sought to disperse the responsibility for the controversy among top Washington officials of both parties over the last 15 years. Its effect was to take some of the heat of criticism off the intelligence agency, which has a policy of declining all public comment and which is thus unable to defend itself.

The letter also served to back the comment last Tuesday of Senator Robert F. Kennedy, Democrat of New York who said that it was unfair to let the agency "take the rap" for a program approved by "the executive branch in the Eisenhower, Kennedy and John F. Kennedy administrations." Mr. Katzenbach added Mr. Truman to the list.

The White House declined to say whether Mr. Johnson had personal knowledge of the agency's financing of student groups.

The question of the agency's role in subsidizing private institutions for intelligence, propaganda and active political purposes in foreign lands is reported to have risen at a Congressional briefing in the White House Tuesday night. Mr. Katzenbach was present. His letter to the President released today was dated Feb. 22 and referred to "your inquiry of yesterday."

It was learned that an outside study group assigned in 1960 to review the agency's secret funding of the National Student Association and other non-Government organizations had strongly recommended the liquidation of such programs.

The study group was headed by Mansfield D. Sprague, general counsel of the Defense Department and Assistant Secretary of Defense for International Security Affairs, in the Eisenhower Administration. At the time of study, Mr. Sprague was president of the A.M.A. Overseas Corporation, with headquarters in Geneva.

Mr. Sprague's committee, which included Allen W. Dulles, then the Director of Central Intelligence, had been appointed by General Eisenhower ostensibly the review United States "overseas information programs," but its assignment was described today by sources as sweeping.

Sprague Unavailable

Mr. Sprague could not be reached for comment.

Reached by telephone in New York, Mr. Sprague said:

"It is possible that we recommended that, but I cannot remember now exactly what we said."

He is now a vice president of the American Machine and Foundry Company.

The Sprague committee's proposal reportedly was not approved, in part because no alternative source of private funds could be found and in part because agency officials committed to the subsidy program fought hard to keep it.

Instead, available records of the foundations and organizations now known to have been receiving agency funds indicate that the secret subsidy program was steadily enlarged after 1960.

The 1960 debate is reported to have involved all top intelligence officials of the outgoing Eisenhower Administration. The decision to continue the secret subsidies to student and labor union groups reflected a view that the operation was still too important a weapon in the cold war to risk ending.

No serious policy consideration had subsequently been given to the program, according to knowledgeable sources, until a public controversy erupted last week following reports of an article in Ramparts magazine disclosing that the agency had been providing up to 80 per cent of the annual budget of the National Student Association, obtaining intelligence information and political action in return.

In the early nineteen-fifties, the National Security Council, the top intelligence policy board chaired by the President was believed determined to give financial assistance to the National Student Association in competing abroad with the skilled parliamentary tactics and political expertise of Communist-bloc delegations at postwar youth conferences.

The intelligence agency and the Security Council were reported to have been proud of the United States' first major postwar secret operation abroad, a well-financed program that helped defeat the Communists in the 1948 elections in Italy.

But by 1952, largely because of the anti-Communist drive by the late Senator Joseph R. McCarthy, Republican of Wisconsin, there was believed to be no hope of obtaining money from Congress to finance left-wing American students and unions in fighting Communism.

Accordingly, official sources said, the National Security Council issued a number of broad directives between 1952 and 1954 under which specific proposals for secret intelligence agency financial support were quickly translated into action.

NEW YORK TIMES 24-19867

Contrary to a widely held belief that the agency is prohibited by law from engaging in clandestine activities within the United States,—it is enjoined only from "internal security functions"—the 1947 statute that created the agency is so broad that informed sources said there never had been a serious question about its authority to deal secretly in this country with home-based groups.

Those chosen to be instruments of American intelligence were "outward looking" with legitimate interests overseas, the sources said.

The National Security Act of 1947 directs the agency not only to assume the largest role in intelligence gathering, but also "to perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct."

The key words are "other functions" and the key to action has been a flow of secret and apparently generous appropriations by Congress to execute them.

Security Council directives specifically authorizing the agency subsidy program are classified "secret," but they are reported to exist. As the White House indicated today, they have been reviewed and endorsed periodically by top intelligence officials since the Truman and Eisenhower Administrations originally approved them.

Only once in its 20-year history has the intelligence agency made an open acknowledgement and defense of its secret activities in the United States in support of operations abroad. It did so then with a secret document and a minimum of talk.

The argument and the document were submitted to Judge Roszel C. Thomsen in Federal District Court in Baltimore in the fall of 1966, during a long and embarrassing slander trial against an admitted intelligence agent operating in the United States, Juri Raus.

Mr. Raus, asserted to have been on official orders of the agency, acknowledged having slandered a fellow Estonian émigré Eerik Heine, by calling him a Soviet secret agent. The accusation had the effect desired by the C.I.A. Mr. Heine was subsequently shunned and isolated from the Estonian émigré community. He later sued Mr. Raus for defamation, demanding \$110,000 in damages. His suit was dismissed last Dec. 8 and is on appeal.

But while arguing the propriety of agency operations in the United States before Judge Thomsen, Paul R. Connolly, a private Washington attorney engaged by the agency to defend Mr. Raus, cited "National Security Council Directive No. 2", classified "secret" and then locked "in camera" in Judge Thomsen's office safe, as "complete and expressive" authority for agency activities on home ground.

Judge Thomsen agreed, but not easily. At one point, he observed that even after reading the secret directive he found the function of the agency "certainly an esoteric subject."

Judge Thomsen declared that "the public is interested that the C.I.A. behaves itself and that its agents behave themselves. The people of the United States are also interested in seeing that the legitimate activities of the United States, which must be conducted through individuals, are not hampered by a too strict application of legal principles, including the principles of libel and slander."

Two months later, on Dec. 8, he said in his opinion dismissing Mr. Heine's slander suit that since "no way to avoid choosing between two evils has been suggested or discovered," he was upholding the C.I.A.'s argument as the lesser of the two.

TEXT OF LETTER

The text of Mr. Katzenbach's letter to President Johnson follows:

With respect to your inquiry of yesterday, I wish to assure you that Secretary Gardner, Mr. Helms and myself will be able to complete our inquiry into the relations of Government agencies and private organizations operating abroad in the very near future. I anticipate that it will be possible to report our conclusions and recommendations early next month.

In the interval, there are certain basic facts with respect to past activities of the Central Intelligence Agency in this area which should be underscored.

When the Central Intelligence Agency lent financial support to the work of certain American private organizations, it did not act on its own initiative but in accordance with national policies established by the National Security Council in 1952 through 1954. Throughout it acted with the approval of senior inter-departmental review committees, including the Secretaries of State and Defense or their representatives. These policies have, therefore, been in effect under four Presidents.

The support provided by the Central Intelligence Agency enabled many far-sighted and courageous Americans to serve their country in times of challenge and danger to the United States and the free world.

Furthermore, the Central Intelligence Agency has been, and continues to be, indispensable to the security of this nation. It is vitally important that the current controversy over its support of certain private organizations not be permitted to obscure the value, or impede the effectiveness, of competent and dedicated career officials serving this country.